

18 JUN 1959

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Deputy Director/Intelligence
SUBJECT: Comments on Senator Bennett's Speech,
Economic Growth
REFERENCE: Congressional Record, dated 11 June 1959

1. This memorandum is for your information and is in response to a request from Mr. Amory to review Senator Bennett's speech which compares the economic growth of the US with that of the USSR.

2. Senator Bennett's picture of the Soviet economy up to the present is, we believe, essentially correct. However, his projections, especially his long-run projections upon which his conclusions rest, diverge significantly from ours.

3. Senator Bennett's projection of Soviet and US GNP to 1970, as given in Table IV on p. 9474 of the Congressional Record, is somewhat more favorable to the US than ours. Although his text discussion gives a projected 4 per cent US GNP annual growth to 1970, the rate which emerges from Table IV is 4.3 per cent. Senator

Bennett's projection of Soviet GNP, which was supplied by the State Department, is 6.0 per cent per year. His calculations result in the USSR reaching 46 per cent of US GNP by 1965 and only 48 per cent by 1970. Our projection is a range of 6.0 to 6.5 per cent per year. Thus Table IV, using our projections, would be reconstructed as follows:

	(billions of 1957 dollars)		
	<u>1957</u>	<u>1965</u>	<u>1970</u>
Soviet GNP (at 6.0-6.5 per cent per year)	175	279-288	373-468
US GNP (at 4.0 per cent per year)	440	602	733
Ratio of Soviet to US GNP (per cent)	40	46-48	51-64

4. More serious, however, is the Senator's belief that long-run Soviet growth must slow down to its long-term average (p. 9479, col. 2). Long-term Soviet growth of GNP is given elsewhere (p. 9474, col. 3) as 3 per cent from 1913 to the present. The 3 per cent long-term growth average includes 3 years of World War I, 4 years of destructive revolution and civil war, and 5 years of World War II during which much of the USSR's industrial plant was destroyed by the German army. Barring a repetition of such disasters, we see no reason to estimate that the USSR economy will grow at significantly less than 6.0 per cent per year through and beyond 1970. The Soviet

Union invested 28 per cent of its GNP (in rubles) in 1957 and this percentage is scheduled to rise steadily throughout the 7 year plan period. In dollar terms this investment was almost three-fourths of US investment in 1957, although Soviet GNP was only two-fifths US GNP.

5. Senator Bennett notes that our lead over the USSR in electricity output will increase markedly by 1965 (p. 9474, col. 3 of text). A more meaningful measure of energy output is found in your address to the Edison Electric Institute: Soviet production of coal, petroleum, natural gas, and hydroelectric power, expressed in standard fuel units, amounted to 45 per cent of the United States production in 1958. By 1965 it will be close to 60 per cent. The absolute gap in primary energy has been closing since 1950. At the present pace it will continue to narrow over the next seven years. In standard fuel units the US exceeded the USSR in 1957 by 906 million metric tons, 1450 to 544 million metric tons. In 1965, according to Soviet plans and US industry projections, the gap will be reduced to 751 million metric tons. Your remarks about steel and cement are also pertinent. Similarly the absolute gap in steel production has been shrinking over the past five years. The maximum

gap in steel capacity apparently was reached in 1958. Cement output is set at a level somewhat higher than industry forecasts place United States production in 1965. The Soviet cement production is not intended for highway construction, but primarily for industrial expansion.

b. Housing conditions in the Soviet Union are bad but not quite as bad as the Senator believes (p. 9475, col. 3). Contrary to his assertion, the Soviet concept of living space does not include staircases, hallways, storerooms, kitchens, and lavatories.

Living space in 1958 was 5.4 square meters per person and is planned to increase to 7.0 to 7.5 by 1965. As far as we can tell Khrushchev is very serious about the housing plan and the current rate of housing construction indicates that the plan is feasible.

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